

**A STUDY ON RELATIONSHIP OF UNIT TRUST
PERFORMANCES TOWARDS THE BENCHMARK
OF KLSE CI AND SYARIAH INDEX:
A CASE OF PUBLIC MUTUAL BERHAD**

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I, **NOORUL HIDAYAH MOHAMED**, (I/C NUMBER: _____)

Hereby, declare that:

- a. This work has not previously been accepted in substance for any degree locally or oversea and is not being concurrently submitted for this degree or any other degrees.
- b. This project paper is the result of my independent work and investigation, except where otherwise being stated.
- c. All literally extract have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:

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ABSTRACT

This study is about the relationship of unit trust performance towards the benchmark of KLSE CI and Syariah Index. The Public Mutual Berhad has been chosen as the case of this study since it is the largest private unit trust company in Malaysia. This research is conducted from 1st April 1999 – 31st December 2006 unit trust market return based on Net Asset Value (NAV) and the Kuala Lumpur Composite Index (KLCI) and Kuala Lumpur Syariah Index (KLSI) market return, using monthly basis. The correlation between those performances is also discussed. The scope of this study is narrowed and focused on equity fund only that is the Public Index fund and Public Ittikal fund in term of the performance benchmark comparison. In this study Public Index fund (dependent variable) is influence by the KLCI and Public Ittikal fund (dependent variable) is influence by the KLSI. The methods use to measure the objectives of the study can be achieved by using the data collection method, regression analysis and simple linear regression. The regression analysis comprises of correlation coefficient, coefficient of determination, T-statistic and Durbin Watson. In overall conclusion, this research shows that the unit trust performance does have a relationship to determine and estimate the performance of unit trust alone. This is supported by the findings from the previous research of Grinblatt and Titman (1994) which shows that inferences about fund performance can be dramatically affected by the chosen benchmark.

1. INTRODUCTION

Mutual fund performance measurement and benchmark selection are closely related topics. The benchmark portfolio can be defined as a passive version of the fund manager's investment portfolio. The benchmark should reflect the investment objectives, philosophy and the fund manager attitude's to risk. To quote Bailey (1992): "a good benchmark will increase the proficiency of performance evaluation, highlighting the management contribution of the managers."

In this study, the focus is in the largest unit trust company in Malaysia, Public Mutual Berhad and under this chapter it provides the background and the rational of the study. This fund house is the first recipient of a special award for winning the most awards at The Edge-Lipper Malaysia Unit Trust Fund Awards 2003. Public Mutual Berhad remains as the best fund performance group not only to perform in most specific type of fund, but overall, its funds outperform the market. Even the index fund that is passively managed and designed to replicate the stock market index vastly outperformed the benchmark KLCI. It raised a question of whether the funds are indeed passively managed (Personal Money, March 2004).

Furthermore, this study only focuses on the relationship of Public Index fund and Public Ittikal fund towards their benchmark, KLCI and KLSI. This study begins by computing the unit trust return and market return respectively using the method suggested by the previous research.